



WHAT'S "HOT" IN VOLUNTARY BENEFITS?



Voluntary benefits are "hot," a recent report confirms, with more than three-quarters (77%) of surveyed employers offering these employee-pay-all benefits and 80% of their employees viewing them as a valuable — or extremely valuable — workplace offering. The survey from Aon Consulting, *What's Hot and What's Not in Voluntary Benefits*, found that almost three in 10 (29%) employers that offer voluntary benefits do so as a tool to attract and retain employees, 28% are responding to employee requests, and 25% want to help employees achieve a work/life balance.

The Numbers

Across all workforce ages — both Baby Boomers (ages 45-60) and Generation Xers (ages 25-40) — Disability coverage is the most purchased voluntary benefit, with Life insurance (Individual Whole Life, Universal Life or Variable Life) ranking second for both groups. Among Baby Boomers, 45% purchased Voluntary Disability coverage and 23% purchased Voluntary Life insurance, followed by Long-Term Care (purchased by 11%) and Critical Illness/Cancer insurance (8%). Among GenXers, 37% purchased Voluntary Disability coverage and 24% purchased Life insurance, followed by Auto/Homeowners/Liability insurance (14%). These purchases reflect the current needs of these two workforce segments: While Baby Boomers might be dealing with aging or ill parents, GenXers are buying their first cars or homes.

Coverages currently offered by the surveyed employers included:

- Disability (offered by 55%)
- Long-Term Care (35%)
- Whole/Universal/Variable Life (33%)
- Critical Illness/Cancer (22%)
- Auto/Homeowners/Liability (20%)
- Legal Services Plan (10%)
- Limited Medical for Part-Timers (10%)
- Retiree Medical/Medicare supplement (7%)
- Pet insurance (4%)
- Identity Theft coverage (3%)

Additionally, 42% said that they offered some "other" type of voluntary benefit.

What Lies Ahead

IT'S EASY TO SEE THE ADVANTAGES OF VISION BENEFITS

Vision and eye health problems are the second most prevalent health problem in the U.S., affecting more than 120 million people, with an estimated 11 million Americans having uncorrected vision problems, according to a report from the Vision Council of America.



The same report indicates that nearly 800,000 work-related eye injuries occur each year, 90% of which are preventable. And, nearly 90% of workers who use a computer for three or more hours a day suffer eyestrain.

Given these statistics, it's easy to see how vision problems can have a negative impact in the workplace. Uncorrected vision problems can lead to accidents, decreased productivity and absences. According to the Vision Council of America report, these problems and others cost businesses an estimated \$8 billion annually.

Envision This

The good news is that employers have a very effective tool in helping to manage, control and mitigate the damage that poor eye health can do to employees, and to the workplace: Vision Benefits coverage.

The Vision Council of America report estimates that employers can gain as much as \$7 for every \$1 spent on vision coverage. However, it doesn't have to cost an employer anything to offer employees vision coverage, because vision benefits are a very popular voluntary, employee-pay-all benefit. Group coverage on a voluntary basis is available through a number of vision care vendors, which offers employees and their dependents an inexpensive, convenient way to protect their eyes.

Most plans offer coverage for eye exams, sometimes at a preferred network of optometrists/ophthalmologists, for a small copayment or at a discounted price. Screenings for diseases related to the eye, which may be present even if a person's visual acuity seems fine — such as glaucoma, macular degeneration and cataracts — also will be part of an eye exam.

Frames, a variety of lenses (single, bifocal, trifocal), special lens treatments (for example, UV coating), and all varieties of contact lenses typically are included benefits, with either a copayment required or a

Looking forward, the surveyed employers discussed the types of coverages employees were asking be added to their voluntary benefits selection. Long-Term Care topped the list, with 26% saying that employees were requesting this benefit, followed by Retiree Medical/Medicare Supplement (19%), and Disability coverage (14%). Several other voluntary benefits each were mentioned by about 10% of employers as being on employees' wish lists: Whole/Universal/Variable Life, Auto/Homeowners/Liability, Critical Illness/Cancer, Legal Services plan, and Limited Medical benefits for part-time employees. Slightly fewer employers said that employees were asking for Pet insurance (9%) and Identity Theft coverage (5%).

Voluntary benefits offer employers a way to expand employees' benefits selection, without expanding their budget. Because of this, they are ideally suited to a workforce with diverse benefits needs. An employer can give its employees access to a wide range of voluntary benefits — at little or no cost to the organization — and employees can select those coverages that suit their current place in life. No wonder that voluntary benefits are hot!

scheduled benefit paid.

Seeing Eye to Eye

Vision benefits, when offered, tend to be an extremely popular benefit with employees. An aging workforce, and the ever-increasing number of employees who work at computers, are part of the reason. Employees also see vision coverage as a valuable benefit for their children, with learning difficulties and problems in school related to the undiagnosed need for vision correction in young children.

Vision exams also are an early detection key to other, non-vision-related health problems, such as hypertension, diabetes and brain tumors.

Given the relatively low cost of vision coverage compared with the importance of vision acuity in the workplace, and the significant role that good vision health can play in one's overall health, the advantages of including this coverage in a benefits package are many. It's a benefit that employees appreciate, is a key element of any workplace wellness and health care program, and can help improve productivity in the workplace.

COUNTERING THE FSA NON-PARTICIPATION TREND

Health Care Flexible Spending Accounts (FSAs) offer employees a real bang for their buck. The cost savings should be apparent: A \$100 pre-tax contribution to an FSA pays for \$100 of health care expenses, whereas without the FSA only the net remaining from the \$100 after taxes — possibly a reduction of \$30 or more — would be available to spend.

Despite this seeming bargain, employee participation in FSAs, on average, has never been robust. A survey from the International Foundation of Employee Benefit Plans found that about three-quarters of surveyed employers that offered an FSA for health care indicated that 39% or less of eligible employees used the plan. Data published by one FSA vendor cites an even lower national average, at 18%.

Clearly, employees do not recognize the potential advantages that FSAs have to offer. Employers can take steps to buck the non-participation trend, by honing in on the possible reasons for non-participation and responding accordingly with targeted communications. With changes that have taken place in the FSA compliance landscape over the past couple years — such as over-the-counter medications now being a reimbursable expense and participants having extra time after the end of the plan year to claim expenses — it's a good time to revisit FSA participation barriers and craft messages to help employees overcome them.

For most employees, the decision not to participate can be traced to two reasons: They don't see how the FSA helps them, or they are afraid that they'll lose the money they contribute to the plan.

1. Don't understand — or aren't really aware of — the advantages of using the FSA.

This is probably the critical reason more employees don't participate in FSAs. Every employee will have expenses that aren't covered first-dollar by a health plan, and FSA communications should give clear, concrete, day-to-day examples of these: Copays, deductibles, and the employee's coinsurance share; over-the-counter medications such as cold remedies and aspirin; extra pairs of eyeglasses and prescription sunglasses; health care screenings that may not be covered under the plan; and more. The point should be to give as many employees as possible a personal stake in plan participation.

2. Are afraid they won't get their money back.

In order to make sure employees fully understand how the plan works, communications must cover the use-it-or-lose-it rule. Unfortunately, for some employees, this message overshadows the tax-savings message, and causes them not to participate in the plan. The fact is, few employees lose FSA money to this rule — in the International Foundation survey cited above, the majority of employers said that 7% or less of employees forfeited money. Make sure employees are aware of such statistics, and also understand that small forfeitures can be more than offset by FSA tax-savings.

More importantly, see to it that employees in your workplace are not experiencing FSA forfeitures, since good



word-of-mouth is the best marketing tool you have for the plan. You can encourage a positive FSA experience:

- **Make sure your plan uses the FSA “grace period.”** This enables participants to use an FSA to pay for expenses incurred during the plan year and those incurred in up to the first 2 1/2 months of the following plan year; so, for example, for plans that run on a calendar year, participants can use their 2006 health care FSA to pay for expenses incurred up to March 15, 2007.
- **Offer an FSA card** — a type of debit, credit, or stored value card linked to the FSA — that lets employees immediately pay for qualified expenses using FSA funds instead of having to pay out of pocket and then file a claim for reimbursement.
- **Keep the FSA in front of employees** by making sure the plan vendor sends periodic statements that remind employees of their balance remaining in their accounts.
- **Give employees tools** to help them accurately estimate their upcoming health care expenses, so that the plan is as much use to them as possible.

National averages don't have to tell the FSA participation story in your workplace. These simple, targeted steps can help to ensure that a health care FSA works at its maximum potential for you and your employees.